

P 130213Z JUN 08 ZDK
FM AMEMBASSY CANBERRA
TO SECSTATE WASHDC PRIORITY 9716
INFO AMCONSUL MELBOURNE PRIORITY
AMCONSUL PERTH PRIORITY
AMCONSUL SYDNEY PRIORITY
THE WHITE HOUSE WASHINGTON DC PRIORITY
NSC WASHINGTON DC PRIORITY

C O N F I D E N T I A L CANBERRA 000609

NOFORN
SIPDIS

E.O. 12958: DECL: 06/12/2018

TAGS: [PGOV](#) [PINR](#) [AS](#)

SUBJECT: DEPUTY PM JULIA GILLARD STAR IN RUDD GOVERNMENT

REF: 06 CANBERRA 1943

Classified By: DCM Daniel A. Clune for reasons 1.4 (b) and (d).

11. (C/NF) SUMMARY: Two stars have emerged in the government of Prime Minister Kevin Rudd: Rudd himself and Deputy Prime Minister Julia Gillard (who will be Washington for the June 23-25 American Australian Leadership Dialogue). Gillard became Deputy Leader of the Australian Labor Party (ALP) after she and Rudd deposed Kim Beazley in December 2006. In the run-up to the November 24 election, and during the campaign itself, Gillard was a loyal and competent deputy, so much so that Rudd went out of his way in his election victory speech to thank her. While she was not given the traditional number two job of Treasurer in the new government, Gillard was handed two important portfolios: industrial relations and education. Gillard, unlike Treasurer Wayne Swan or any other minister (except Finance Minister Lindsay Tanner), has increased her prominence and power since she became deputy prime minister and is now the clear number two (with a big gap before number three) in the Rudd Government. At this point, Gillard would have to be considered the front-runner to succeed Kevin Rudd as Prime Minister, which would make her Australia's first female Prime Minister. Several contacts caution, however, that Rudd is ambivalent about Gillard, who is not from Labor's Right Wing like he is, and he will avoid creating a potential rival. By the time Labor is thinking beyond Rudd, Gillard may well face more serious competition. END SUMMARY.

RUDD AND GILLARD ABOVE THE REST

12. (C/NF) Through the first seven months of the Rudd Government, Gillard is the only ALP politician who has approached PM Rudd in national prominence. She is the second most important person in the Government, with the rest of the ministers trailing far behind, and Australia's highest ranking woman. Gillard, who stumbled a bit when she announced Labor's industrial relations policy at the ALP national conference in April 2007, has since performed well, supporting Rudd during the election, running her ministry competently, and demonstrating a flair for showmanship and public speaking during Parliament's Question Time. Traditionally, the Treasurer, the second most important cabinet position, comes from the Right Faction of the Party in an ALP government. This practice partly explains why Wayne Swan received the position. To compensate, Gillard received two portfolios, education and industrial relations. Since the election, however, it is Gillard who has made the most of her position while Swan, uncomfortable on his feet and with economics, has struggled at times. After Rudd, she is now the most prominent minister in the government.

GILLARD THE PRAGMATIST

13. (C/NF) Many key ALP insiders have told poloffs that Gillard, who joined the ALP as a member of the Victorian branch's Socialist Left faction, is at heart a pragmatist. New South Wales Right powerbroker Mark Arbib (protect) described her as one of the most pragmatic politicians in the

ALP. Michael Cooney (protect), from the ALP Right and a former senior adviser to ALP leaders Mark Latham and Kim Beazley, said she has been very impressive as a minister: knowledgeable on the issues, listens to advice from subordinates and civil servants and is not afraid to delegate responsibility. When we reminded Paul Howes (protect), head of the right-wing Australian Workers Union, that ALP Qof the right-wing Australian Workers Union, that ALP politicians from the Left, no matter how capable, do not become party leader, he said immediately: "but she votes with the Right." In 2002, when she was Shadow Immigration Minister, Gillard presented to the ALP National Conference a draft policy supporting the continuation of the Howard Government's policy of mandatory detention of unauthorized arrivals (of refugees like those on the "Tampa"). This upset the Left, but reflected the views of mainstream Australia.

GILLARD THE PRO-AMERICAN

¶4. (C/NF) Although long appearing ambivalent about the Australia-US Alliance, Gillard's actions since she became the Labor Party number two indicate an understanding of its importance. Poloffs had little contact with her when she was in opposition but since the election, Gillard has gone out of her way to assist the Embassy. She attended a breakfast hosted by the Ambassador for U/S Nick Burns who visited Canberra just days after the election. At our request, she agreed to meet a visiting member of the National Labor Relations Board, after prior entreaties by the board member's Australian hosts had been rebuffed. Gillard is now a regular attendee at the American Australian Leadership Dialogues (AALD), and will be the principal government representative to the AALD meeting in Washington at the end of June. (COMMENT: Although warm and engaging in her dealings with American diplomats, it's unclear whether this change in attitude reflects a mellowing of her views or an understanding of what she needs to do to become leader of the ALP. It is likely a combination of the two. Labor Party officials have told us that one lesson Gillard took from the 2004 elections was that Australians will not elect a PM who is perceived to be anti-American. END COMMENT)

GILLARD THE SOCIALIST

¶5. (SBU) In the late 1970s, Gillard joined the Socialist Left faction of the Victorian ALP. In the mid 1980s, she helped form "Socialist Forum" which contained disaffected members of the Socialist Left and former Communists. This group proposed ending the Australia-US Alliance, and introducing radical tax policies. In a Socialist Forum Pamphlet from the mid-1980s, Gillard describes herself as a "socialist and feminist." By the late 1980s, however, her involvement in Socialist Forum had significantly declined, although she remained a member until it dissolved in 2002. Gillard now downplays her involvement in Socialist Forum and describes the group as a "sort of a debating society." Indeed she good-humoredly waves away press attempts to raise the subject of her early political leanings.

THE RIGHT HELPS GILLARD

¶6. (SBU) In the early 1990s, Gillard and her supporters formed a group within the Socialist Left called the "Pledge Group." To the consternation of the Socialist Left leadership, it formed an alliance with the Right, and Gillard became Chief of Staff to then Victorian Opposition Leader (now Premier) John Brumby, who is from the Victorian Right of the ALP. In 1998, with the Right's support, she gained preselection for the federal parliamentary seat of Lalor, in Melbourne's western suburbs. Subsequently, the Socialist Left split and the Gillard group, part of the "Soft Left" faction, has remained outside the Socialist Left since. In March 2006, Gillard described factions as "a cancer eating away at the very fabric of the Labor Party." She called on ALP leadership figures to quit factions and for the ALP leader to have the power to directly appoint his/her front bench. Indeed, Gillard has not attended faction meetings since she became Deputy ALP leader. After the election, Rudd

broke ALP tradition and appointed his Ministry (apparently) without the approval of the factions. Since 2003, Gillard has been on good terms with a large number of Right Faction MPs - such as Simon Crean and Joel Fitzgibbon - whom she worked with to oppose Kim Beazley in leadership ballots.

COMMENT: SORRY, NO LEFTY ALP LEADERS

17. (C/NF) The ALP traditionally does not produce leaders from the Left of the party, but Gillard is a pragmatist who has appeal across factional lines. Conventional wisdom is that Rudd will be Prime Minister for eight or nine years and then hand over the leadership 12-18 months out from an election. Gillard twice seriously considered running for the ALP leadership. In January 2005, following Mark Latham's resignation, she pulled out when she realized Kim Beazley had the numbers. And in late 2006, she threw her support behind Rudd because she knew Beazley would have won a three-way QRudd because she knew Beazley would have won a three-way contest (notwithstanding the fact that Gillard would have received more votes than Rudd) and he would have defeated Gillard one-on-one. Gillard the pragmatist knew only Rudd was capable of receiving the necessary support to defeat Beazley.

18. (C/NF) Some Coalition MPs believed before the last election that Gillard was a weakness for Rudd. They thought she was too left-wing for mainstream voters, and her childlessness and unmarried status would hurt her with "working families." The Coalition targeted her during the election campaign but the down to earth Gillard is popular with ordinary Australians. An obstacle to Gillard assuming the leadership may be some key right-wing ALP MPs and union officials. Powerful, socially conservative union leaders such as Joe De Bruyn (head of the shopworkers union, the largest in the Australian Council of Trade Unions), Bill Ludwig (head of the Australian Workers Union), and Don Farrell (powerbroker and shopworkers union leader in South Australia and incoming senator) may attempt to thwart her. So could the head of the Victorian Right, Senator Stephen Conroy (who was a strong supporter of Kim Beazley and cannot stand Gillard), and the ambitious MP and former unionist Bill Shorten (also a strong supporter of Beazley who has Prime Ministerial ambitions). Much internal hostility towards Gillard can be traced back to her support of Mark Latham and her undermining of Kim Beazley's leadership. Last year, some ALP MPs were critical of the industrial relations policy she drafted for the ALP conference - a policy which alienated business and had to be re-drafted by Rudd.

19. (C/NF) Perhaps the biggest determinant in whether she becomes leader will be her performance as a Minister. Gillard has a huge workload as Minister for Education and Workplace Relations. She is responsible for implementing two of Rudd's key election promises - the "Education Revolution," and industrial relations changes, including the creation of a national industrial relations system. This will require her to deal with recalcitrant ALP state governments and unions that would like the ALP to stop their declining memberships by going further than Rudd promised. One contact who used to work for Rudd suggested that he gave Gillard the education reform portfolio to weaken her within the ALP, as any serious reform will antagonize the education unions and the state governments. A less credible education reform package will cement the notion that Gillard is captive of the traditional Labor Left, which would torpedo her viability as PM. John Howard's former chief of staff told us that with two portfolios, Gillard would be "too busy" to worry about anything other than her job. But Gillard is tough and highly intelligent. If she comes through this relatively unscathed, it will go a long way to ensuring she succeeds Rudd. In the public's eyes at present, Gillard, as the number two figure in the ALP, is Rudd's heir apparent. If this is the case when Rudd goes, it will be extremely hard for ALP MPs to deny her the leadership. It is unlikely the ALP would miss the opportunity to produce Australia's first female Prime Minister.

